

## Message Text

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PAGE 01 OECD P 05238 01 OF 03 210444Z

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UNCLAS SECTION 01 OF 03 OECD PARIS 05238

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TAGS: AORG, OECD, NATO

SUBJECT: PENSION SCHEME FOR COORDINATED ORGANIZATIONS

1. QUOTED BELOW IS STATEMENT BY THE SECRETARY-GENERAL  
ON THE ESTABLISHMENT OF A PENSION SCHEME.

2. BEGIN QUOTE: DRAFT  
THE ESTABLISHMENT OF A PENSION SCHEME  
127TH REPORT BY THE CO-ORDINATING COMMITTEE OF  
GOVERNMENT BUDGET EXPERTS

1. THE SECRETARY-GENERAL WISHES TO REVERT TO TWO OF THE  
POINTS WHICH HAVE ALREADY BEEN COMMENTED ON IN THE  
NOTE STATING THE JOINT POSITION OF THE SECRETARIES-  
GENERAL OF THE CO-ORDINATED ORGANIZATIONS WHICH APPEARS  
IN DOCUMENTS C(76)18. THESE ARE THE COST OF CREDIT FOR  
PAST SERVICE AND THE SURVIVOR'S PENSION FOR WIDOWERS.

CREDIT FOR PAST SERVICE

PARAGRAPHS 16 TO 24 AND ANNEX II OF THE 127TH REPO-  
RT.

2. THERE ARE TWO ASPECTS TO THE PROBLEM WHERE OECD IS  
CONCERNED: THE LEGAL ASPECT AND THE ASPECT THAT  
CONCERNS "STAFF RELATIONS".

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PAGE 02 OECD P 05238 01 OF 03 210444Z

3. WITH REGARD TO THE LEGAL ASPECT, THE POSITION OF

THE SEC-GEN HAS ALREADY BEEN SET OUT BOTH IN THE CO-ORDINATING COMMITTEE AND IN THE COUNCIL IN SEVERAL NOTES IN WHICH HE POINTED OUT THAT THE COUNCIL DECISION OF 6TH JUNE 1974 TO SET UP AND APPLY IN THE ORGANIZATION WITHOUT DELAY THE PENSION SCHEME RECOMMENDED IN THE 94TH REPORT OF THE CO-ORDINATING COMMITTEE, OF WHICH PARAGRAPH 27 IS A VITAL PART, HAD GENERATED VESTED RIGHTS FOR THE STAFF. AT THE TIME OF THE COUNCIL DECISION, NOBODY HAD RAISED ANY DOUBTS AS TO THE REAL MEANING OF PARAGRAPH 27 OF THE 94TH REPORT, AND IT IS ON THIS BASIS THAT THE SECRETARY-GENERAL HAS QUITE LEGITIMATELY CALCULATED THE COST OF CREDIT FOR PAST SERVICE FOR EVERY MEMBER OF THE STAFF AND HAS NOTIFIED EACH ONE INDIVIDUALLY.

4. THE DISCUSSION WHICH TOOK PLACE IN THE COUNCIL ON 7TH NOVEMBER 1975 ON THE STATEMENT MADE BY THE SECRETARY-GENERAL AT THE START OF THE MEETING ENABLED HIM TO NOTE THAT "THERE WAS NO UNANIMOUS AGREEMENT TO MODIFY THE DECISION TAKEN BY THE COUNCIL ON 6TH JUNE, 1974 (AND THAT) NEITHER WAS THERE, MOREOVER, UNANIMOUS AGREEMENT AS TO THE NECESSITY OF ESTABLISHING A NEW METHOD OF CALCULATION FOR THE CREDITING OF PAST SERVICE", AND IN CONCLUSION THE COUNCIL HAD REQUESTED "THE CO-ORDINATING COMMITTEE OF GOVERNMENT BUDGET EXPERTS TO SUBMIT, AS A MATTER OF URGENCY, DRAFT PENSION SCHEME RULES GIVING EFFECT TO THE PROVISIONS OF THE 94TH REPORT OF THE CO-ORDINATING COMMITTEE OF GOVERNMENT BUDGET EXPERTS, WITHOUT MODIFICATION" (C/M(75)29 PART II, ITEM 271).

5. THE NEW DEVELOPMENT WHICH HAS ARISEN SINCE 7TH NOVEMBER IS THE PROPOSAL FORMULATED BY CERTAIN DELEGATIONS IN ANNEX II OF THE 127TH REPORT, WHICH SUGGESTS A NEW METHOD OF CALCULATING THE COST OF CREDIT FOR PAST SERVICE.

6. THE QUESTION IS WHETHER THIS PROPOSAL CAN BE LOOKED UPON SIMPLY AS AN INTERPRETATION OF THE TEXT OF PARAGRAPH 27 OF THE 94TH REPORT OF THE CO-ORDINATING  
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PAGE 03 OECD P 05238 01 OF 03 210444Z

COMMITTEE, OR WHETHER IT INVOLVES MODIFYING THAT TEXT.

7. ON THIS QUESTION, THE SECRETARY-GENERAL BELIEVES THAT THE INTRODUCTION IN THE METHOD OF CALCULATING THE COST OF CREDIT OF A "REAL TERMS" FACTOR, WHICH INVOLVES DOING ALL THE CALCULATIONS AGAIN ON AN ENTIRELY THEORETICAL BASIS BEARING NO RELATION TO THE FACTS OF PROVIDENT FUND MANAGEMENT, AND WHICH DOUBLES BY THIS EXPEDIENT THE COST OF CREDITING PAST SERVICE FOR THE STAFF OF THE ORGANIZATION (PARAGRAPHS 9 TO 11 OF ANNEX

II OF THE 127TH REPORT), WOULD NECESSITATE A FUNDAMENTAL

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PAGE 01 OECD P 05238 02 OF 03 202038Z

12

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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R 202000Z FEB 76

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UNCLAS SECTION 02 OF 03 OECD PARIS 05238

MODIFICATION OF PARAGRAPH 27 OF THE 94TH REPORT, AND  
COULD IN NO WAY BE CONSIDERED AS IMPLYING A MERE INTER-  
PRETATION OF THIS TEXT WHICH, AS DRAFTED, HAS PRECISELY  
THE MEANING OF THE "CORRECT" WORDING SUGGESTED FOR IT  
AT THE END OF PARAGRAPH 6 OF ANNEX II.

8. LEAVING ASIDE THE ALMOST UNSURMOUNTABLE DIFFICUL-  
TIES INVOLVED IN APPLYING THE PROPOSAL IN ANNEX II OF  
THE 127TH REPORT, AND THE UNACCEPTABLE DELAYS IT WOULD  
ENTAIL, THE FACT THEREFORE REMAINS THAT THIS PROPOSAL  
MEANS DRAFTING AN ENTIRELY DIFFERENT TEXT OF PARAGRAPH  
27 OF THE 94TH REPORT WHICH CAN ONLY REPLACE THE PRES-  
ENT ONE BY A UNANIMOUS DECISION ON THE PART OF MEMBER  
COUNTRIES.

9. IN ANY EVENT, THE SAME WOULD BE TRUE FOR ANY INTER-  
PRETATION THAT IT MIGHT BE SOUGHT TO PUT ON PARAGRAPH  
27 OF THE 94TH REPORT: IT WOULD HAVE TO BE APPROVED  
UNANIMOUSLY.

10. THESE DELAYS ARE CAUSING GREAT ANXIETY AMONG THE STAFF OF THE ORGANIZATION. THE METHOD OF CALCULATING THE COST OF CREDIT FOR PAST SERVICE BEGAN TO BE UNCLASSIFIED

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PAGE 02 OECD P 05238 02 OF 03 202038Z

QUESTIONED IN SEPTEMBER 1974, WHEREAS AS EARLY AS JULY ALL STAFF MEMBERS HAD BEEN INFORMED OF THE AMOUNT THEY WOULD HAVE TO PAY IN ORDER TO CREDIT THEIR PAST SERVICE IN ACCORDANCE WITH THE 94TH REPORT. THEY THEREFORE FIND IT DIFFICULT TO UNDERSTAND HOW THIS QUESTION EVER CAME TO BE RE-OPENED IN THE CO-ORDINATING COMMITTEE, AND THEY HAD NOTED WITH SATISFACTION THE POSITION ADOPTED BY THE COUNCIL ON 7TH NOVEMBER, AS STATED IN PARAGRAPH 4 ABOVE.

11. THE FACT THAT - DESPITE THE MANDATE GIVEN TO IT BY THE COUNCIL ON 7TH NOVEMBER TO SUBMIT, AS A MATTER OF URGENCY, DRAFT PENSION SCHEME RULES - THE CO-ORDINATING COMMITTEE HAS TAKEN ALMOST THREE MONTHS TO FINALIZE ITS 127TH REPORT, PARAGRAPH 34(A) OF WHICH IMPLIES THAT THE QUESTION OF THE METHOD OF CALCULATING THE COST OF CREDIT FOR PAST SERVICE IS STILL AN OPEN ONE, IS A FURTHER BLOW TO THE MORALE OF STAFF WHO ARE WONDERING WHETHER THE AIM OF SOME MEMBER COUNTRIES IS NOT PRECISELY TO CALL BACK IN QUESTION THE ESTABLISHMENT OF A PENSION SCHEME WHICH THEY CONSIDER TOO ADVANTAGEOUS.

12. THE SECRETARY-GENERAL WISHES TO DRAW ATTENTION TO THE CONSIDERATIONS HE HAS EXPRESSED IN THIS CONNECTION, TOGETHER WITH HIS COLLEAGUES IN THE OTHER CO-ORDINATED ORGANIZATIONS, IN APPENDIX I TO DOCUMENT C(76)18, WHICH SHOW CLEARLY THAT IN THE FORM WHICH EMERGES FROM THE 94TH REPORT, AND IN THE WAY IN WHICH IT IS PROPOSED TO SUPPLEMENT IT BY THE 127TH REPORT, PARTICULARLY WITH REGARD TO TAX TREATMENT, THE PENSION SCHEME DOES NOT CORRESPOND TO WHAT STAFF WERE LEGITIMATELY ENTITLED TO EXPECT.

13. SINCE THE SCHEME HAS BEEN ESTABLISHED AND HAS ALREADY BEEN IN FORCE IN OECD FOR EIGHTEEN MONTHS - WITH ALL THAT THIS IMPLIES REGARDING VESTED RIGHTS WHICH STAFF ARE DETERMINED TO PRESERVE BY ALL THE MEANS AT THEIR DISPOSAL - IT IS URGENTLY NECESSARY THAT THE COUNCIL SHOULD UNEQUIVOCALLY REMOVE ANY REMAINING DOUBTS AS TO THE METHOD OF CALCULATING THE COST OF CREDIT FOR PAST SERVICE. UNCLASSIFIED

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PAGE 03 OECD P 05238 02 OF 03 202038Z

SURVIVOR'S PENSION FOR WIDOWERS

14. CHAPTER IV OF THE DRAFT PENSION SCHEME RULES AT ANNEX I OF THE 127TH REPORT OF THE CO-ORDINATING COMMITTEE, FOR THE REASONS SPELT OUT IN PARAGRAPH 8 OF APPENDIX I TO DOCUMENT C(76)18, DOES NOT PROVIDE ANY SURVIVOR'S PENSION FOR WIDOWERS EXCEPT WHEN INCAPACITATED.

15. THIS PROBLEM IS PARTICULARLY IMPORTANT FOR OECD WHERE THE MAJORITY OF THE STAFF ARE WOMEN. THE SECRETARY-GENERAL THEREFORE PROPOSES THAT THE WORKING PARTY ON STAFF POLICY KEEP THIS ITEM ON ITS AGENDA AS IT HAS ALREADY INDICATED IT WOULD (CF. C/M(74)15 ITEM 141(F)).

RELATED MATTERS

16. THE SECRETARY-GENERAL RECALLS THAT THE POINTS DEALT WITH BY THE CO-ORDINATING COMMITTEE UNDER THIS TITLE HAVE ALREADY BEEN PRELIMINARILY STUDIED BY THE WORKING PARTY ON STAFF POLICY.

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PAGE 01 OECD P 05238 03 OF 03 202043Z

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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UNCLAS SECTION 03 OF 03 OECD PARIS 05238

17. IN CONCLUSION, THE SECRETARY-GENERAL INVITES THE COUNCIL TO ADOPT THE FOLLOWING DRAFT ENTRY IN ITS MINUTES:

THE COUNCIL

(A) NOTED THE COMMON POSITION OF THE SECRETARIES-GENERAL OF THE CO-ORDINATED ORGANIZATIONS (C(76)118 APPENDIX I) ON THE 127TH REPORT OF THE CO-ORDINATING COMMITTEE OF THE GOVERNMENT BUDGET EXPERTS (C(76)18 APPENDIX II).

(B) APPROVED AS A WHOLE THE PROVISIONS OF THE DRAFT PENSION SCHEME RULES SET OUT AT ANNEX I TO THE 127TH REPORT OF THE CO-ORDINATING COMMITTEE;

(C) AGREED TO EXTEND FOR A FURTHER YEAR ENDING ON ..... 1977 THE OPTION PERIOD FOR AFFILIATION TO THE PENSION SCHEME;

(D) INVITED ITS WORKING PARTY ON STAFF POLICY

(I) TO CONSIDER THE PROBLEMS DEALT WITH BY THE CO-ORDINATING COMMITTEE IN PARAGRAPHS 10 TO 13 AND 28 TO 31 OF ITS 127TH REPORT - WHICH ARE REFERRED TO IN SUB-PARAGRAPH (B), (C), (D),  
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PAGE 02 OECD P 05238 03 OF 03 202043Z

AND (F) OF PARAGRAPH 34 AND TO GIVE ITS OPINION;

(II) TO KEEP ON ITS AGENDA, UNTIL THE END OF THE OPTION PERIOD, THE PROBLEM OF THE ENTITLEMENT OF WIDOWERS TO A SURVIVOR'S PENSION SO AS TO BE ABLE TO EVOLVE, AS THE CASE MAY BE, PROPOSALS FOR ITS SOLUTION. END QUOTE.

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